COMPANY RESULTS

SP Setia (SPSB MK)

2Q25: Below Expectations; Land Sales To Anchor Earnings Despite Delays

2Q25 results fell below our expectations. We expect sales and launches to be backloaded into 2H25 as management maintains its full year guidance. We lowered our 2025 earnings by 31% as we turn more conservative in our margin assumption and the timing of land sale revenue recognition. However, Maintain BUY with a lower target price of RM1.48 as we believe sentiment could improve from the Tanjung Kupang land sales by end-25 and a REIT listing targeted for 1H26.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	1Q25	2Q24	qoq % chg	yoy % chg	1H25	yoy % chg
Revenue	**943.7**	**770.7**	**1,494.6**	22.5	(36.9)	1,714.4	(42.3)
Gross Profit	**381.8**	**281.5**	**658.0**	35.6	(42.0)	663.3	(33.3)
EBIT	**310.6**	**235.3**	**597.0**	32.0	(48.0)	545.9	(37.7)
PBT	**195.7**	**141.5**	**466.8**	38.3	(58.1)	337.1	(48.0)
PATAMI	**99.8**	**67.0**	**295.0**	48.9	(66.2)	166.8	(55.2)
Core PATAMI	**109.4**	**67.1**	**307.3**	63.1	(64.4)	176.5	(53.9)
Margins (%)	**%**	**%**	**%**	**ppt**	**ppt**	**%**	**ppt**
Gross Profit	40.5	36.5	44.0	3.9	(3.6)	38.7	5.2
EBIT	32.9	30.5	39.9	2.4	(7.0)	31.8	2.3
PBT	20.7	18.4	31.2	2.4	(10.5)	19.7	(2.2)
Core PATAMI	11.6	8.7	20.6	2.9	(9.0)	10.3	(2.6)

Source: SP Setia, UOB Kay Hian

RESULTS

- **Below expectations.** SP Setia's 2Q25 core PATAMI came in at RM109m (+63% qoq, -64% yoy) on the back of a revenue of RM944m (+23% qoq, -37% yoy). This brings 1H25 core PATAMI to RM177m, falling below expectations and representing 31%/42% of our/consensus full-year forecasts. Excluding the Taman Pelangi land plot sales recognition of RM114m in earnings, 2Q25 core PATAMI turned to a loss of around RM5m (vs profit of RM32m in 1Q25, ex-land sales). We attribute the weak results to higher-than-expected admin and general expenses as well as losses from joint venture.

- **Margins trended higher qoq due to land sales recognition.** Excluding land gains, 1Q25 property revenue fell to RM777m (+10% qoq; -17% yoy). Including land gains, the property segment's pre-tax profit margin rose qoq to 20.9% (vs 1Q25: 18.5%) due to the Taman Pelangi land sales recognition but fell yoy (vs 2Q24: 30.3%) due to higher land sales recognition the same period last year.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4,373.6	5,293.6	5,575.6	5,940.1	6,188.7
EBITDA	1,102.7	1,610.4	1,316.3	1,545.5	1,637.7
Operating profit	1,062.8	1,564.4	1,270.6	1,474.9	1,541.8
Net profit (rep./act.)	298.6	576.0	484.5	593.2	624.1
Net profit (adj.)	337.1	621.5	484.5	593.2	624.1
Net profit (adj. after RCPS)	235.6	524.7	387.7	496.4	527.3
EPS (sen)	8.2	14.3	9.7	11.9	12.5
PE (x)	13.3	7.6	11.3	9.2	8.7
P/B (x)	0.3	0.3	0.4	0.4	0.3
EV/EBITDA (x)	13.4	7.8	9.8	8.5	8.2
Dividend yield (%)	1.2	2.6	1.8	2.2	2.3
Net margin (%)	7.7	11.7	8.7	10.0	10.1
Net debt/(cash) to equity (%)	52.9	37.3	37.4	37.6	37.7
Interest cover (x)	4.4	5.5	5.2	6.4	6.6
ROE (%)	2.3	4.3	3.3	4.0	4.1
Consensus net profit	-		418.9	438.1	490.9
UOBKH/Consensus (x)	-		0.9	1.1	1.1

Source: SP Setia, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.09
Target Price	RM1.48
Upside	+35.8%
(Previous TP	*RM2.03)*

COMPANY DESCRIPTION

SP Setia is one of the leading property developers in Malaysia with vast landbanks in Klang Valley, Penang and Iskandar.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SPSB MK
Shares issued (m):	5,003.1
Market cap (RMm):	5,453.4
Market cap (US$m):	1,290.1
3-mth avg daily t'over (US$m):	1.6

Price Performance (%)

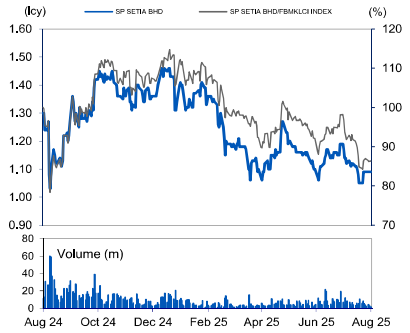
52-week high/low RM1.5/RM0.995

1mth	3mth	6mth	1yr	YTD
(8.4)	(11.4)	(21.6)	(18.7)	(25.3)

Major Shareholders	%
Amanah Saham Nasional	28.5
Yayasan Pelaburan Bumiputera	20.9
EPF	9.4

FY26 NAV/Share (RM)	1.25
FY26 Net Debt/Share (RM)	0.41

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Delay in industrial land sales revenue recognition.** In 2Q25, SP Setia recognised RM157m land sales revenue from the disposal of its Taman Pelangi land to Mah Sing. This brings 1H25 land sales revenue to RM224m (-77% yoy), contributing 13% of total revenue (vs 33% in 1H24). Looking ahead, we expect a timing delay in revenue recognition from the Setia Alaman industrial land sales following ~~a~~ slower progress, with the bulk of RM650m now shifted to 2026 (from RM390m/RM260m in 2025/26 to RM100m/RM550m, in our view). With the revised timing, we have lowered our 2025 land sales recognition to RM470m in revenue and RM181m in earnings (vs RM760m/RM306m previously), underpinned upcoming contributions from Setia Federal Hill (RM53m), Alam Impian (RM26m), and Alam Damai land sales (RM134m).
- **Sales and launches backloaded towards 2H25.** 2Q25 sales rose to RM1,186m (+65% qoq; +35% yoy). This brings 1H25 sales to RM1.9b, tracking at 40% of its RM4.8b full-year sales target (domestic property sales: RM3.0b-3.5b; land sales: RM1.0b). The company accelerated launches in Jun 25, with RM1.3b launched in 2Q25 (vs 1Q25: RM61m), lifting 1H25 launches to RM1.4b. Management maintains its full year sales and launch targets of RM4.8b and RM5.1b respectively, though weighted towards 2H25. Meanwhile, its prime industrial land in Tanjung Kupang (RM8b in GDV across 307 acres) remains up for negotiations, and we believe sentiment could improve once it finalises a deal.

EARNINGS REVISION/RISK

- We cut our earnings by 31%/15%/15% for 2025-27F respectively to factor in delayed land sales recognition and a more conservative margin.

VALUATION/RECOMMENDATION

- **Maintain BUY and lower our target price to RM1.48 from RM2.03,** as we cut our earnings and increased our discount to RNAV from 47% to 55%. Our target price implies 13x 2026F PE (below peers' average of 21x) and 0.5x 2026F P/B (lower than peers' average of 0.9x). We keep our BUY rating as we expect it to finalise its Tanjung Kupang land sales by this year as well as asset monetisation exercise via its REIT listing, targeted for listing in 1H26.

EXPECTED LAND SALES

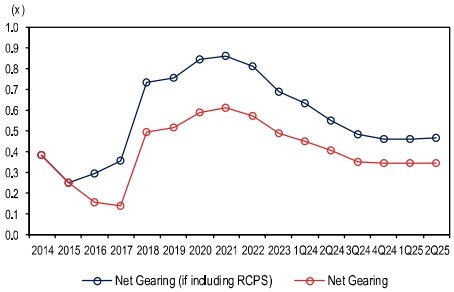
Announced Land Sales	Size (acres)	Total Proceed (RMm)	PAT (RMm)	Net Margin (%)	Revenue Recognition
Central					
Glengowrie, Semenyih	500.0	392.0	39.0	9.9%	1Q24
Alam Impian	3.0	26.0	9.0	34.6%	1Q24
Bandar Setia Alam	18.0	228.8	140.6	61.5%	3Q24
Setia Federal Hill	2.7	103.0	3.0	2.9%	3Q24 (RM50m); 2H25F (RM53m)
Alam Impian	3.4	26.0	7.3	28.0%	2H25F
Alam Damai	-	134.0	13.4	10.0%	2025
Setia Alaman (Industrial Park)	399.0	650.0	292.5	45.0%	4Q25F (RM100m); 2026F (RM550m)
Southern					
Taman Pelangi Indah 2	960.0	564.0	333.0	59.0%	2Q24
Taman Pelangi	6.5	167.0	47.0	28.1%	4Q24
Taman Pelangi	6.0	156.8	114.0	72.7%	2Q25
Unannounced Land Sales	**Size (acres)**	**Total Proceed (RMm)**	**PAT (RMm)**	**Net Margin (%)**	**Revenue Recognition**
-	-	6.0	1.8	30.0%	1Q24
-	-	50.2	15.1	30.0%	3Q24
Catalytic Development	-	22.0	2.2	10.0%	4Q24
	Revenue (RMm)	**PAT (RMm)**			
2024 Total Land Sales	1,506.0	589.2			
2025 Total Land Sales	469.8	181.2			
2026 Total Land Sales	550.0	247.5			

Source: SP Setia, UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

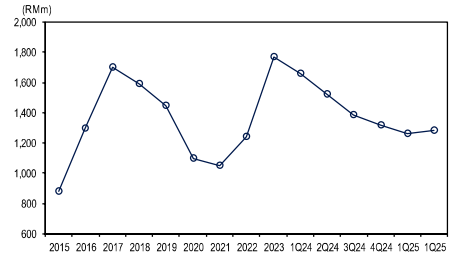
- **Environmental**
  - Energy intensity ratio decreased to 12.6kW/h from 17.9kW/h.
- **Social**
  - Total investment for communities by S P Foundation: RM405,154.
- **Governance**
  - Good company transparency with an anti-bribery and anti-corruption policy.

NET GEARING LEVEL



Source: SP Setia, UOB Kay Hian

INVENTORY LEVEL



Source: SP Setia, UOB Kay Hian

RNAV TARGET PRICE OF RM1.48/SHARE

NPV of Development Profits	(RMm)
Central Region	2,162.0
Northern Region	516.7
Southern Region	418.0
Eastern Region	119.5
Battersea Power Station	465.2
Australia, Vietnam & Others	286.1
Total	3,967.5
Shareholders' Funds	14,450.2
RNAV	**18,417.6**
Existing Share Base (m)	5,003.1
RCPS-i A	322.1
RCPS-i C	258.4
Enlarged Sharebase (m)	5,583.7
RNAV/share (RM)	3.30
Discount (%)	55%
Target Price (RM/share)	**1.48**

Source: SP Setia, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**5,293.6**	**5,575.6**	**5,940.1**	**6,188.7**
EBITDA	1,610.4	1,316.3	1,545.5	1,637.7
Deprec. & amort.	46.1	45.7	70.6	95.9
EBIT	1,564.4	1,270.6	1,474.9	1,541.8
Associate contributions	(126.2)	(75.0)	(76.0)	(76.0)
Net interest income/(expense)	(292.7)	(251.6)	(243.0)	(249.8)
Pre-tax profit	**1,121.9**	**944.0**	**1,155.9**	**1,216.0**
Tax	(491.2)	(413.3)	(506.1)	(532.4)
Minorities	(54.7)	(46.2)	(56.5)	(59.5)
Net profit	**576.0**	**484.5**	**593.2**	**624.1**
Net profit (adj.)	621.5	484.5	593.2	624.1

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	13,030.4	13,859.1	14,720.0	15,594.7
Other LT assets	3,931.0	3,856.0	3,780.0	3,704.0
Cash/ST investment	3,141.5	2,979.6	2,757.4	2,552.2
Other current assets	7,501.0	7,620.0	7,787.6	7,901.8
Total assets	**27,603.8**	**28,314.7**	**29,044.9**	**29,752.6**
ST debt	1,543.0	1,543.0	1,543.0	1,543.0
Other current liabilities	2,591.1	2,868.2	3,045.4	3,166.3
LT debt	7,935.0	7,935.0	7,935.0	7,935.0
Other LT liabilities	(309.1)	(309.1)	(309.1)	(309.1)
Shareholders' equity	15,843.8	16,277.6	16,830.6	17,417.3
Minority interest	1,229.9	1,276.1	1,332.6	1,392.1
Total liabilities & equity	**27,603.8**	**28,314.7**	**29,044.9**	**29,752.6**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**3,417.3**	**1,061.0**	**1,049.1**	**1,112.0**
Pre-tax profit	1,121.9	944.0	1,155.9	1,216.0
Tax	(299.0)	(299.0)	(299.0)	(299.0)
Deprec. & amort.	46.1	45.7	70.6	95.9
Associates	(126.2)	(75.0)	(76.0)	(76.0)
Working capital changes	2,341.1	158.0	9.7	6.7
Other operating cashflows	333.4	287.3	187.9	168.4
Investing	**(536.9)**	**(874.4)**	**(931.6)**	**(970.5)**
Capex (growth)	(830.2)	(874.4)	(931.6)	(970.5)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	293.3	0.0	0.0	0.0
Financing	**(2,157.2)**	**(348.4)**	**(339.8)**	**(346.6)**
Dividend payments	(193.8)	(96.8)	(96.8)	(96.8)
Issue of shares	515.3	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(1,558.7)	0.0	0.0	0.0
Others/interest paid	(920.0)	(251.6)	(243.0)	(249.8)
Net cash inflow (outflow)	**723.2**	**(161.8)**	**(222.3)**	**(205.2)**
Beginning cash & cash equivalent	**2,495.6**	**3,141.5**	**2,979.6**	**2,757.4**
Changes due to forex impact	(77.4)	0.0	0.0	0.0
Ending cash & cash equivalent	**3,141.5**	**2,979.6**	**2,757.4**	**2,552.2**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	30.4	23.6	26.0	26.5
Pre-tax margin	21.2	16.9	19.5	19.6
Net margin	10.9	8.7	10.0	10.1
ROA	2.2	1.7	2.0	2.1
ROE	4.3	3.3	4.0	4.1
Growth				
Turnover	11.8	17.8	25.5	30.7
EBITDA	167.3	118.5	156.5	171.9
Pre-tax profit	96.7	65.5	102.7	113.2
Net profit	37.8	15.9	42.0	49.4
Net profit (adj.)	84.4	(22.0)	22.4	5.2
EPS	84.4	(22.0)	22.4	5.2
Leverage				
Debt to total capital	54.2	52.8	51.0	49.3
Debt to equity	58.8	57.2	55.4	53.6
Net debt/(cash) to equity	37.3	37.4	37.6	37.7
Interest cover (x)	5.5	5.2	6.4	6.6

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